

Note on Professional Tax

In light of the recent events, where many business and professional entities are receiving notices from the Greater Chennai Corporation demanding payment of Profession Tax, clarification on applicability and compliances required in this regard is summarised hereunder.

Introduction:

- Professional tax, Trade license fee and company tax are governed by state specific legislation. In Tamil Nadu, it is governed by Tamil Nadu Urban Local Bodies Act, 1998, Tamil Nadu Municipal Laws (Second Amendment) Act, 1998 and Tamil Nadu Professional Tax Rules, 1999.
- The said taxes are local body taxes and are subject to Article 276 of the Indian Constitution which states that taxes on profession, trades, callings and employment, imposed by State Government or a municipality, district board, local board shall not exceed ₹ 2,500 per annum.

Applicability:

- Professional tax is required to be collected by an employer from their employee from the salary payable to the latter.
- Employer is defined as a person or the officer who is responsible for disbursement of salary to the employees under him and includes the head of the office or any establishment as well as the Manager or Agent of the employee.
- Employee is a person employed on salary and includes,
 - a) a government servant receiving pay from the revenues of the Central Government or any State Government.
 - b) a person in the service of a body whether incorporated or not, which is owned or controlled by the Central Government or any State Government, where such body operates within the municipal limit even though its headquarters may be outside the municipal limit.
 - c) a person engaged in any employment by an employer not covered in the above two cases.

Registration:

- An employer must apply for Professional Tax Registration Certificate (PTRC) within 30 days from becoming liable to pay tax i.e., when the employees' salary is above the prescribed threshold (having average half yearly income of ₹21,000/-) for deducting Professional Tax.
- The registration in Tamil Nadu is based on the location of the employment establishment.
- The applicable rates (with effect from 01.04.2018) in Chennai are,

Average Half Yearly Income	Half Yearly Professional Tax (in ₹)
For Both Employer and Employees	
Up to ₹ 21,000/-	Nil
₹21,001/- to ₹30,000/-	135/-
₹30,001/- to ₹45,000/-	315/-
₹45,001/- to ₹60,000/-	690/-
₹60,001/- to ₹75,000/-	1025/-
Above ₹75,001/-	1250/-

- An employer must obtain PTRC even if there is only one employee under them.
- Documents required for obtaining PTRC are Shops and Establishment Trade License Copy/Registration Certificate, Lease Agreement, PAN Card, Articles of Association, Memorandum of Association and Incorporation Certificate.

Remittance:

- The professional tax needs to be remitted on half yearly basis. The payment due date of professional tax for the period from April to September is 15th September and for the period from 15th March for the second half i.e., October to March.
- In case of delayed remittances, interest at the rate of 1% per month on the default amount will be charged.

Disclaimer: The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. This note provides general information existing at the time of preparation. We request that none should act on such information without examination of the particular situation and professional advice.